COMPANY RESULTS

Pekat Group (PEKAT MK)

2Q25: In Line; Outlook Remains Bright For The Group

2Q25 net profit surged 136% yoy to RM11m (-9% qoq). The result was driven by: a) positive EPE Switchgear contribution, b) healthy progress on its CGPP EPCC project, and c) robust earthing and lighting protection jobs. The sequential earnings decline was due to reduced demand in the residential solar segment with the expiry of government policy. Pekat declared a surprise interim net DPS of 1 sen/share. Maintain BUY with a higher target price of RM2.00, based on mean PE ratio of 23x.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25	qoq % chg	yoy %chg	1H25	yoy %chg
Revenue	127.0	(15.5)	124.5	277.3	142.8
Gross profit	35.4	(8.4)	111.2	74.0	134.5
EBIT	18.6	(8.6)	161.8	38.9	202.9
Profit before tax	*17.3*	*(10.9)*	*162.5*	*36.6*	*199.4*
Taxation	(4.7)	(16.3)	146.3	(10.4)	175.0
Profit after tax	12.5	(8.7)	169.1	26.3	210.3
Net profit	11.0	(8.6)	135.8	23.1	172.9
Core Net Profit	**11.0**	**(8.6)**	**135.8**	**23.1**	**172.9**
Segmental Revenue	**2Q25**	**qoq % chg**	**yoy %chg**	**1H25**	**yoy %chg**
Solar Photovoltaics	62.6	(32.6)	88.8	155.4	122.7
ELP	14.9	(8.1)	28.7	31.1	50.9
Trading	14.7	9.6	23.9	28.1	18.0
Power Distribution Equipment (EPE Switchgear)	34.8	24.9	-	62.7	-
Total	**127.0**	**(15.5)**	**124.5**	**277.2**	**142.8**

Source:Pekat, UOB Kay Hian

RESULTS

- **2Q25: Within expectations.** Pekat Group (Pekat) 2Q25 net profit surged 136% yoy to RM11m (-9% qoq). The earnings were driven by: a) healthy progress of its Corporate Green Power Programme (CGPP) EPCC project, b) favourable revenue and margin contributions from EPE Switchgear, c) increased project execution for the earthing and lighting protection (ELP) and trading divisions, and d) positive operating leverage and margin expansion. The sequential decline in net profit is due to reduced demand from the residential solar segment with the expiry of SolaRis and NEM quotas. We deem the results to be within expectations, with 1H25 net profit making up 46% and 49% of house and street estimates.
- **1 sen/share net interim dividend.** Pekat declared a surprise 1 sen net DPS in the current quarter, underscoring its commitment towards active capital management. Management aims for a sustainable annual dividend payout in 2025-27, subject to any extraordinary expenditures relating to M&A activities.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	227.5	291.1	592.5	640.9	670.6
EBITDA	21.0	38.3	88.7	101.5	108.2
Operating profit	19.2	36.0	83.1	90.9	97.3
Net profit (rep./act.)	13.7	22.0	50.1	56.1	61.0
Net profit (adj.)	13.9	22.0	50.1	56.1	61.0
EPS (sen)	2.2	3.4	7.8	8.7	9.5
PE (x)	76.9	48.6	21.4	19.1	17.6
P/B (x)	7.8	5.5	4.4	3.5	2.9
EV/EBITDA (x)	27.7	17.8	9.2	7.6	6.6
Dividend yield (%)	0.6	0.0	1.2	1.2	1.2
Net margin (%)	6.1	7.6	8.5	8.7	9.1
Net debt/(cash) to equity (%)	(18.6)	18.7	66.5	36.4	11.7
Interest cover (x)	12.1	44.3	11.7	16.2	23.6
ROE (%)	10.2	11.3	20.4	18.5	16.6
Consensus net profit	-	-	47.4	53.4	62.2
UOBKH/Consensus (x)	-	-	1.1	1.1	1.0

Source: Pekat, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.66
Target Price	RM2.00
Upside	+20.5%
(Previous TP	*RM1.70)*

COMPANY DESCRIPTION

An established solar PV and earthing & lightning protection solutions provider based in Malaysia.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PEKAT MK
Shares issued (m):	645.0
Market cap (RMm):	1,070.6
Market cap (US$m):	253.3
3-mth avg daily t'over (US$m):	0.5

Price Performance (%)

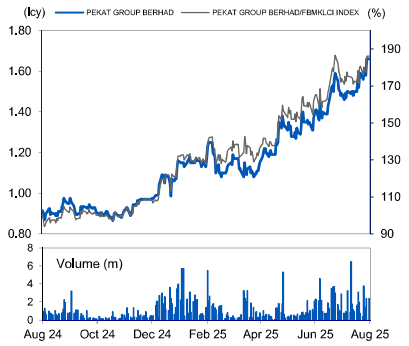
52-week high/low RM1.67/RM0.82

1mth	3mth	6mth	1yr	YTD
10.7	24.8	45.6	80.4	67.7

Major Shareholders	%
Chin Soo Mau	34.9
Tai Yee Chee	8.8

FY25F NAV/Share (RM)	0.37
FY25F Net Debt/Share (RM)	0.26

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Sequentially softer residential solar contribution in 2Q25.** The solar division recorded an 89% yoy revenue growth to RM62.6m, supported by stronger contributions from the residential solar segment and a large-scale solar engineering, procurement, construction, and commissioning (EPCC) project under the Corporate Green Power Programme (CGPP). However, segment revenue declined 33% qoq, reflecting softer residential demand following the expiry of the SolaRIS rebate (ended Apr 25) and the conclusion of the NEM 3.0 programme (ended in Jun 25).
- **The earthing, lighting and protection (ELP)** division's revenue rose 29% yoy to RM14.9m, underpinned by healthy project execution and robust sales orders primarily from data centre jobs. The sequential decline of 8% was due to slower project progress during the quarter.
- **Robust EPE Switchgear contribution.** The power distribution equipment (PDE) division delivered solid revenue contribution of RM24.9m in 2Q25 (+25% qoq), accounting for 27% of total group revenue. Orderbook remains healthy and underlying performance was driven by a total of RM232m worth of Tenaga Nasional Berhad (TNB) tenders secured in 1H25 for the supply of low and medium-voltage switchgears.
- **Another RM31m switchgear contract in the pipeline.** To recap, EPE Switchgear (60%-owned) has secured a RM31.32m contract from Tenaga Nasional Berhad (Tenaga) for switchgear equipment maintenance and repair works, as well as the supply of air- and gas-insulated switchgear. The two-year contract (extendable by one year) marks EPE's third win in 2025, lifting ytd contract wins to RM263m and expanding the enlarged group's orderbook to RM630m. This further strengthens earnings visibility and supports a robust growth trajectory into 2026.

EARNINGS REVISION/RISK

- **No changes to earnings.**
- We raise 2025-27 net DPS to 2 sen/share (from 1 sen/share) amid strong earnings position. This translates to a net dividend yield of 1.2%.

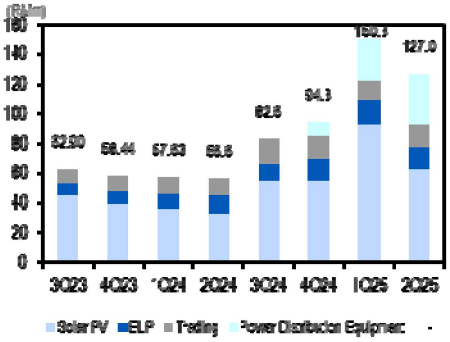
VALUATION/RECOMMENDATION

- **Maintain BUY with a blue-sky target price of RM2.00**, based on mean PE ratio of 23x and 2026 EPS of 8.7 sen/share. Our blue-sky scenario takes into account additional RM500m of orderbook in 2026, which may yield another RM10m in net profit base (~ 20% of 2026's net profit). We believe the stock can appreciate to our fair value in the event the company clinches a sizeable utility scale concession from either a CRESS or Selco model. This is a game changer as it will help to build a meaningful recurring income base for the group. The stock is currently trading at 19x 2026F PE. Our previous fair value of RM1.70 is based on sector average PE ratio of 21x on blended EPS (2025-26) of 7.6 sen/share.
- **Mainboard transfer remains on track, slated to be completed by end-25.** This will allow the company to attract a wider investor base.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

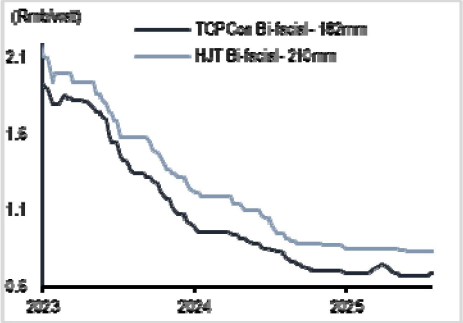
• **Environmental**
- Pekat installed solar PV systems with a cumulative capacity of 203.2MWp for its customers in 2024, resulting in an impressive estimated reduction of 199,319 tonnes of carbon dioxide emissions.
• **Social**
- Pekat is dedicated to advancing workforce diversity and equity. As at end-FY24, Pekat employed 309 individuals from various backgrounds, with male staff making up 69% of the company's total workforce and female staff making up the remaining 31%.
- Pekat provided a total contribution of RM30,000 in financial aid and non-financial resources to NGOs, educational institutions, and children's welfare homes in FY24.
• **Governance**
- The board comprises six members consisting of four Independent Directors and two Non-independent Directors including GCEO. Meanwhile, women comprise 33% (two directors) of the board.

QUARTERLY REVENUE BREAKDOWN



Source: Pekat, UOB Kay Hian

SOLAR MODULE PRICE (2023-25)



Source: Infolink, UOB Kay Hian

PEKAT PE BAND

Source: Pekat, Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**291.1**	**592.5**	**640.9**	**670.6**
EBITDA	38.3	88.7	101.5	108.2
Deprec. & amort.	(2.3)	(5.6)	(10.6)	(10.9)
EBIT	36.0	83.1	90.9	97.3
Associate contributions	(0.6)	(0.8)	(1.1)	(1.5)
Net interest income/(expense)	(0.8)	(7.1)	(5.6)	(4.1)
Pre-tax profit	**34.6**	**75.1**	**84.2**	**91.6**
Tax	(11.8)	(18.0)	(20.2)	(22.0)
Minorities	(0.7)	(7.0)	(7.9)	(8.7)
Net profit	**22.0**	**50.1**	**56.1**	**61.0**

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed Assets	67.5	120.5	117.3	114.1
Other LT assets	61.4	59.6	58.9	58.1
Cash/ST investment	38.2	-68.0	-48.5	-4.0
Other current assets	251.5	488.1	517.4	532.3
Total assets	**418.7**	**600.2**	**645.1**	**700.5**
ST debt	38.1	39.6	29.0	22.5
Other current liabilities	126.5	248.4	268.3	282.3
LT debt	36.6	62.6	45.9	35.6
Other LT liabilities	22.1	22.1	22.1	22.1
Shareholders' equity	195.4	239.6	290.7	347.4
Minority interest	43.7	51.6	60.3	0.0
Total liabilities & equity	**418.7**	**612.4**	**655.9**	**709.9**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating Cashflows	**15.1**	**(44.0)**	**71.8**	**85.4**
Pre-tax Profit	34.6	75.1	84.2	91.6
Tax	(9.6)	(18.0)	(20.2)	(22.0)
Depreciation & Amortisation	2.3	5.6	10.6	10.9
Associates	0.6	0.8	1.1	1.5
Working Capital Changes	(12.8)	(114.7)	(9.5)	(0.9)
Others	0.1	7.1	5.6	4.1
Cash from Investing Activities	**(76.9)**	**(69.7)**	**(6.4)**	**(7.1)**
Capex (Growth)	(6.9)	(69.7)	(6.4)	(7.1)
Others	(70.0)	0.0	0.0	0.0
Cash from Financing Activities	**72.1**	**7.5**	**(45.9)**	**(33.8)**
Dividend Payments	0.0	(12.9)	(12.9)	(12.9)
Issue of Shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	71.3	27.5	(27.3)	(16.8)
Others/interest paid	0.8	(7.1)	(5.6)	(4.1)
Net cash inflow (outflow)	**10.4**	**(106.2)**	**19.5**	**44.5**
Beginning cash & cash equivalent	**23.9**	**34.3**	**(71.9)**	**(52.4)**
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**34.3**	**(71.9)**	**(52.4)**	**(7.9)**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	13.1	15.0	15.8	16.1
Pre-tax margin	11.9	12.7	13.1	13.7
Net margin	7.6	8.5	8.7	9.1
ROA	11.3	20.9	19.3	17.5
ROE	5.3	8.4	8.7	8.7
Growth				
Turnover	28.0	103.5	8.2	4.6
EBITDA	87.8	130.8	9.4	7.0
Pre-tax profit	90.5	117.4	12.0	8.9
Net profit	60.5	127.6	11.9	8.7
Net profit (adj.)	58.3	127.6	11.9	8.7
EPS	58.3	127.6	11.9	8.7
Leverage				
Debt to total capital	0.3	0.3	0.2	0.1
Debt to equity	38.2	42.6	25.8	16.7
Net debt/(cash) to equity	18.7	71.0	42.4	17.9
Interest cover (x)	44.3	11.7	16.2	23.6